

CARROLLTON BANK

Building a Strong Credit History

Having good credit improves your ability to get loans, insurance, credit cards, a job, an apartment, and gives you the chance to get lower interest rates on loans and credit cards.

Everyone needs good credit, but especially:

- High school and college graduates
- Young adults
- Recent immigrants
- People who need to get “back on track”
- Women, particularly if all credit is in their husband’s name

Your credit history is summed up in a credit report, containing:

- Identifying information (name, SSN, date of birth, address)
- Employment history
- Creditors and payment history
- Bankruptcies, judgments, liens, lawsuits
- Inquiries you initiated (loan and credit applications, but not credit card solicitations)
- Identifying information NOT in your credit report includes race, religion and your political preference

This credit report is available to:

- Lenders (to set rates and terms for loans)
- Landlords, utilities and cell phones (to determine the amount of your deposit)
- Potential employers (as part of hiring process)
- Insurance companies (to determine rates for auto, life and health insurance)

You can order your credit report from **Annualcreditreport.com** or by calling **1-877-322-8228**.

Or you can order through the “Big 3” credit bureaus:

- Equifax – 1-800-685-1111 or Equifax.com
- Experian – 1-888-397-3742 or Experian.com
- TransUnion – 1-800-888-4213 or TransUnion.com

If your credit report has errors:

- Write to the credit bureau
- Bureau has 30 days to investigate, notify you of the results and delete the inaccurate information
- Disagree? Write a dispute statement for your file. Contact information is available on their websites.

Your credit score...

This number answers the question, “How likely are you to repay what you owe?” The higher the number, the better. Your credit score will fall between 300 and 850 and will change over time, depending on your payment history. You can order your score from the “Big 3” or myfico.com.

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Your scores will change when your information changes (new credit line, increased credit card debt and/or slow payments) and each time a report is pulled.

What a low credit score costs you:

	"F" Credit	"A+" Credit
Loan Amount	\$25,000	\$25,000
Term	72 months	72 months
Rate	16.99%	3.99%
Payment	\$556.01	\$391.02
Total payments	\$40,032.72	\$28,153.44

With A+ Credit you save \$11,879.28!

Minimum credit requirements for a credit score

To have a score you must have recently reported credit, including at least one credit line that has activity reported within the past six months and at least one credit line that has been opened for six months or more .

What affects your payment history?

- Payments that are 30+ days late – current and previous
- Collections – unpaid bills in default, including credit cards, medical, utilities, cable and cell phone
- Public records – bankruptcy, tax liens, judgments, student loan defaults

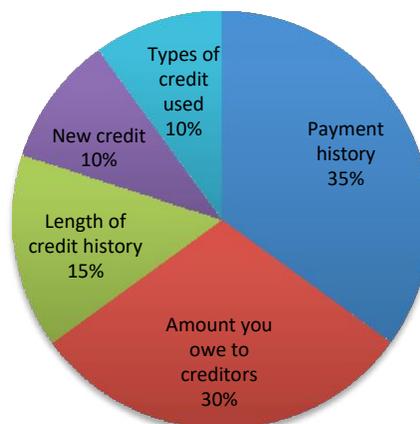
Impact of paying 30+ days late

- Scores can drop up to 175 points for any missed payment of any amount
- The higher your score (700+) the more the impact
- Less impact if you're already paying late on multiple accounts
- Can take up to 2 years for score to bounce back (if you have many satisfactory credit lines with no collections scores can recover in 6 months)

Actions that reduce your credit score

- Payments 30 or more days late
- Shopping for credit too often
- Credit cards at their credit limit
- Opening lots of accounts in a short time
- Having more credit cards than bank loans
- Closing credit cards
- Borrowing from finance companies

Components of your credit score



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Tips to build a strong credit score:

- Pay all your bills on time
- If unable to pay on time, pay before the 30th day
- If past due, bring current and stay current
- Don't close old accounts
- Don't open a flurry of new accounts
- Apply for and open new credit only as needed
- Don't co-sign if the other person has bad credit
- Budget, track and save
- Make sure your creditors report to credit bureaus

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How to rebuild your credit history:

It takes time and hard work to repair your credit. *But it's worth it!*

- Order your credit report; correct any errors
- Pay all bills on time
- Pay down debt
- Establish an emergency backup plan
- Apply for a small line of credit and pay it on time, our [Credit Builder Loan](#) is a good option.
- Apply for a [Secured Credit Card](#)
- Get automated bill pay and direct deposit

Beware of the pitfalls

- Credit repair clinics
- Rent-to-own programs
- Payday loans
- Pawn shops
- High interest rate debt consolidations

Your rights and responsibilities

- Get your credit report (annualcreditreport.com)
- Ask “why” if you’re refused credit
- Contact creditors to work out a repayment plan
- Report violations of the Fair Debt Collections Practices Act

What debt collectors cannot do

- Use threats or violence
- Use obscene or profane language
- Publish a list of consumers who refuse to pay debts
- Repeatedly use the phone to annoy someone
- Use false statements or give false information to anyone
- Use a false name
- Send what looks like official government/official documents
- Contact you by postcard
- Deposit a post-dated check prematurely
- Threaten to take your property (unless it’s legal to do so)

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Checklist: Are you ready?

- I have the basics in place: budget, tracking system, emergency fund
- I plan to pay all bills on time
- I plan to get my credit report and correct any errors
- I plan to take steps to increase my credit score
- I plan to pay down debt
- I understand the potential pitfalls

Get started today!

